

House Insurance Committee

Tuesday, October 3, 2017



City of Detroit
Mayor Mike Duggan

How Did We Get Here?

October 6, 1972 Michigan Legislature Passed No-Fault on Promise of Lower Rates, Fewer Lawsuits

CLOUDY

Slightly Warmer

High 58-63 Low 34-39

Map and Details on Page 3-A

HOURLY TEMPERATURES

9 p.m.	56	7 p.m.	55	11 a.m.	41
4 p.m.	55	8 p.m.	45	12 mid.	41
2 p.m.	55	6 p.m.	44	10 a.m.	41
8 a.m.	54	10 p.m.	41	8 a.m.	40



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Dial 222-6464

Action Line solves problems, gets answers, cuts red tape, stands up for your rights. Write Action Line, Box 881, Detroit, Mich. 48231. Or dial 222-6464 between 8:30 a.m. and 4:30 p.m. Monday through Friday.

Two Saturdays ago we took our children for a ride through a tree near our home in Afton. We came on a racing car and had crashed into a tree. A man with a crash helmet told us we were careful because 45 more cars were coming through at 80 to 100 miles an hour. Can you find out what's going on and put an end to it?—R.B., Afton.

Race was legal, though some of the drivers weren't. What saw was a rally called Press On Regardless. Drivers are to use public roads, not to speed. Rally officials said they're running an endurance race, not a speed race, and contestants might go over lawful limits get a 30 minute penalty. State police weren't called soon enough last time, only nabbed a

Detroit Free Press

ON GUARD FOR 141 YEARS

Vol. 142—No. 153

Sunday, October 8, 1972

METRO
John S. Knight's
Notebook
See Page 2, Section C
Thirty Cents

No-Fault Could Lower Rates

One exotic provision of the no-fault bill will pay the injured person up to \$20 a day for three years for maid service.

If they choose to deduct their Blue Cross coverage, they could get their car insurance for perhaps \$20 less. Furthermore, if the man is covered by some group disability insurance at work, he will get another few more dollars knocked off his auto premium.

One exotic provision of the no-fault law will pay the injured person up to \$20 a day for three years for maid service. But if you choose not to buy this coverage, you could save even more money.

This is the first time that automobile insurance has been co-ordinated with other forms of insurance. And supporters of no-fault believe that this co-ordination will eliminate overlapping benefits and premiums. But because the law is so new, no one is exactly sure how much of a saving people will realize.

Insurance companies may devise other kinds of deductibles so you can get cheaper insurance. But no one knows what these will be.

The amount of auto premiums you will pay also will depend partly on how much income you have. You will buy insurance to compensate for your lost wages if you are injured and can't work.

So the lowest premiums for lost-wage insurance will be for those who are in low-income groups. And, as before, there will be smaller premiums for those who have low value cars.

Young, single drivers who now pay the most for insurance probably will save the most money under no-fault, for many will not have to buy coverage to supply death benefits to dependents as a man supporting a family would have to do. In-

Please turn to Page 8A, Col. 1

Lee Iacocca: No Fault will cut legal expenses, reduce rates.

Strong Vote for No-Fault

THE RINGING endorsement of no-fault auto insurance by Ford Motor Co. President Lee A. Iacocca, following on the heels of Gov. Milliken's own no-fault proposal, was welcome though hardly surprising. Iacocca emphasized that automobile manufacturers have a vested interest in auto insurance: Lower premium costs make it easier for people to own cars. And no-fault insurance should lower premium costs for most Michigan drivers.

The Ford executive cited the success of the Massachusetts no-fault plan under which, he said, premium costs will have been reduced two-thirds by the end of two years. Michigan drivers could also expect a rate reduction, but not so much as Massachusetts, where premium costs were much higher than they are here.

Under the present tort liability system,



Iacocca: An Interest in Reform

much of the insurance premium dollar goes for legal and administrative costs, which are necessary to determine fault. With a no-fault system, where a driver collects from his own insurance company regardless of who was at fault in the accident, much of these costs can be eliminated. The savings could then be passed on to drivers in the form of greater benefits or lower premium costs or both.

In supporting no-fault, Iacocca said damage-resistant vehicles would not significantly reduce insurance costs because, at present, repair bills account for well under half of insurance company costs. Unfortunately, he is right. But a combination of damage-resistant vehicles and no-fault insurance would undoubtedly cause a major reduction in premium costs.

The Legislature is now faced with several no-fault insurance plans, including the governor's, which has very limited tort liability. To be successful in holding costs down, liability must be severely limited or we will still be faced with the same expensive—and time consuming—problem of proving fault.

No-fault auto insurance will be good for the auto industry. And there is a lot of truth in the old saying about what's good for the auto industry is good for Michigan. We strongly urge the Legislature to act promptly and positively on Gov. Milliken's no-fault proposal.

Michigan Trial Lawyers: No Fault dangerous, unconstitutional.

The Michigan Trial Lawyers Association believes

MICHIGAN'S "NO-FAULT" AUTO INSURANCE LAW IS UNCONSTITUTIONAL

Wayne County Circuit Judge Horace Gilmore has scheduled a full trial starting Nov. 19 because he says there are some serious constitutional questions about it.

IF YOU need to drive until the constitutional issues are settled **IF YOU** need to drive to work, to the doctor, and to the store and are financially unable to buy this "no-fault" auto insurance and you choose to drive and the State attempts to penalize you in any way, the Michigan Trial Lawyers Association will provide free assistance to your court-appointed lawyer to test the constitutional issues involved.

IF YOU choose to drive without insurance as a matter of principle because you are opposed to a law which gives only \$1,000 for the death of a child but will pay up to \$1 million to a train if it is wrecked — the Michigan Trial Lawyers Association will provide free assistance to your own attorney to test the constitutional issues involved.

For further information call or write:

Michigan Trial Lawyers Association
1010 Washington Square Building
Lansing, Michigan 48933
Phone: (517) 489-2417

Detroit Free Press

AN INDEPENDENT NEWSPAPER

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3-B

SUNDAY, SEPTEMBER 2, 1973

As We See It

Better Protection for All Under No-Fault Insurance

SOME OF THE QUESTIONS raised in the Michigan Trial Lawyers suit to stop no-fault auto insurance are valid, but most are not new. There will be problems with no-fault, but fewer than with the present tort liability system of auto insurance.

The suit alleges that Michigan's no-fault law, due to take effect Oct. 1, discriminates against poor people because it requires them to buy insurance in order to continue driving legally.

And no-fault does discriminate against the poor — just as everything else that costs money discriminates against the poor.

But the new Michigan law will have the advantage of keeping middle-income accident victims from becoming poor, and will keep some poor accident victims from being doomed to a life of poverty.

Too many Michigan drivers are presently either uninsured or underinsured. They save money as long as they stay out of accidents, but many have found that accidents do not always happen to the other guy.

About \$25,000 drivers pay the \$45 uninsured motorists fee, some thinking the

number of accidents involving uninsured drivers who elected to pay the damage before a claim could be filed with the state.

Insured motorists, too, can suffer great financial hardships after being involved in serious accidents. At present, the delay often last years while lawyers for the parties involved in an accident battle it out of court. Sometimes no determination of fault can be made, and the victim are left to suffer on their own.

Under no-fault there will be no lengthy negotiations or court cases to find fault and the victim's company will be required to make prompt payment.

The fault-finding process is an expensive one, and despite Michigan Trial Lawyers president Harry Philo's statement that lawyers will do better for the first 10-12 years with the no-fault law, the lawyers have been doing quite well under the tort liability system.

Self-interest has never stayed far from the lawyers' hearts, and we doubt that they would do nearly as well under no-fault with lawsuits limited to the most severe accidents.

Typical Editorial of the Day:

“17% of all lawsuits are auto accidents, clogging up the courts.”

“Under no-fault there will be no lengthy negotiations or court cases to find fault...Lawsuits will be limited to the most severe accidents.”

“In Massachusetts under the first year of no-fault, premiums dropped 67%.”

“Young, single drivers will save the most money under no-fault.”

What's striking about the 1972 debate is that there is almost no discussion of medical bills.

Everything is about reducing litigation costs through no-fault and reducing collision repairs with 5 MPH bumpers.

Drivers relied on their own health care coverage or paid \$45 into the uninsured motorist fund.

What makes up cost of car insurance in Michigan?

Bodily Injury/Tort (Injury to passenger/others)	7%
Theft (Comprehensive)	19%
Collision (Car Damage)	32%
PIP/MCCA (Personal Injury Protection - Medical)	<u>42%</u>
Total	100%

Medical Insurance has exploded into the largest
cost of auto insurance premium –
an inconceivable scenario when No-Fault passed in 1972.

How does PIP/MCCA work?

Most people already have health care coverage:

Employer (Blue Cross, HAP, etc.)

Medicare

Health Care Exchanges

Medicaid

VA

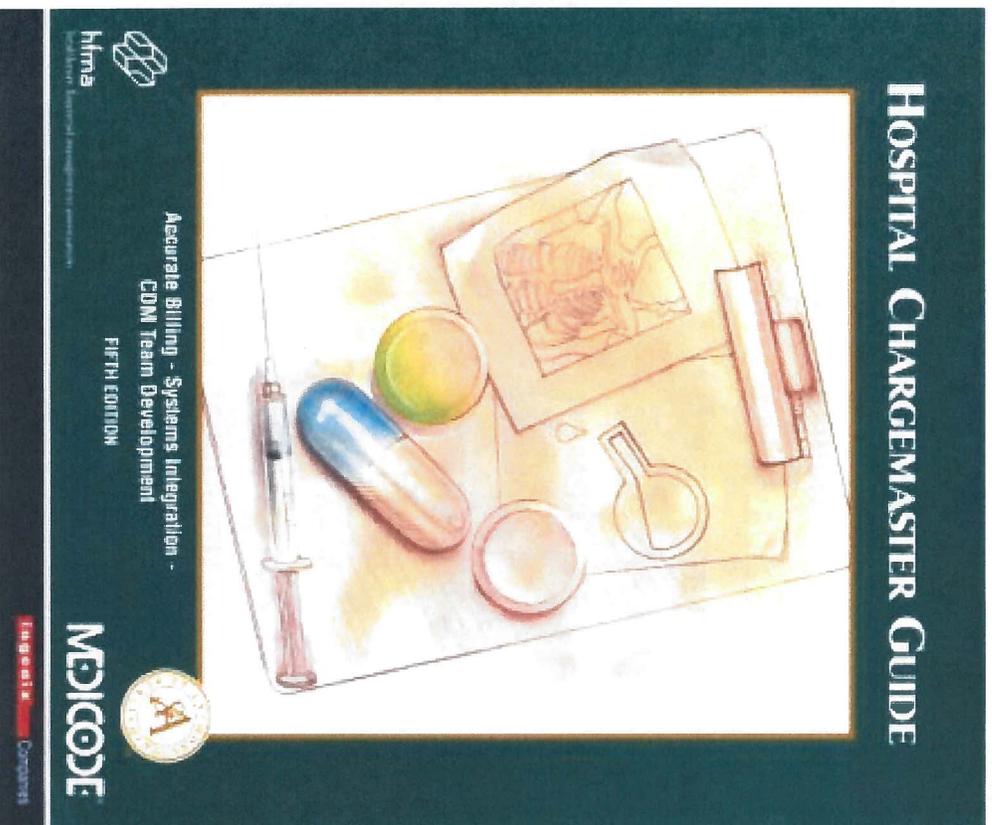
If you have a serious injury (fall from a ladder, get hit by falling brick), your emergency medical treatment and long-term care are paid for by your medical coverage.

When you buy car insurance, you are usually paying for duplicate medical coverage.

How Much More Do You Pay Doctors and Hospitals from Your Car Insurance?

	<u>Medicare</u>	<u>Commercial</u>	<u>Car</u> <u>Insurance</u>
1 Hr. Phys Therapy	\$ 31	\$ 42	\$ 79
CT Scan	\$262	\$419	\$1,821
MRI	\$484	\$770	\$3,259

How could this happen?



- In 1972, Hospitals and other Medical Providers set their own rates under their “Chargemaster”.
- The Chargemaster is the amount the provider would like to charge – everything from bandages to insulin to knee surgery.
- Since then, Blue Cross, HMO’s, PPO’s, Medicare, Medicaid, all have payments far lower than Chargemaster prices.
- In 2017, the only patients left paying “Chargemaster” prices are Michigan drivers - the 1972 No-Fault law has never been amended to prevent these overcharges.

12 States With The Highest Requirement to Buy Car Insurance PIP

Michigan	UNLIMITED
New Jersey	\$ 250,000
New York	\$ 50,000
Minnesota	\$ 40,000
North Dakota	\$ 30,000
Florida	\$ 10,000
Hawaii	\$ 10,000
Kentucky	\$ 10,000
Massachusetts	\$ 8,000
Pennsylvania	\$ 5,000
Kansas	\$ 4,500
Utah	\$ 3,000

38 States Require You to Buy No Minimum PIP in Car Insurance

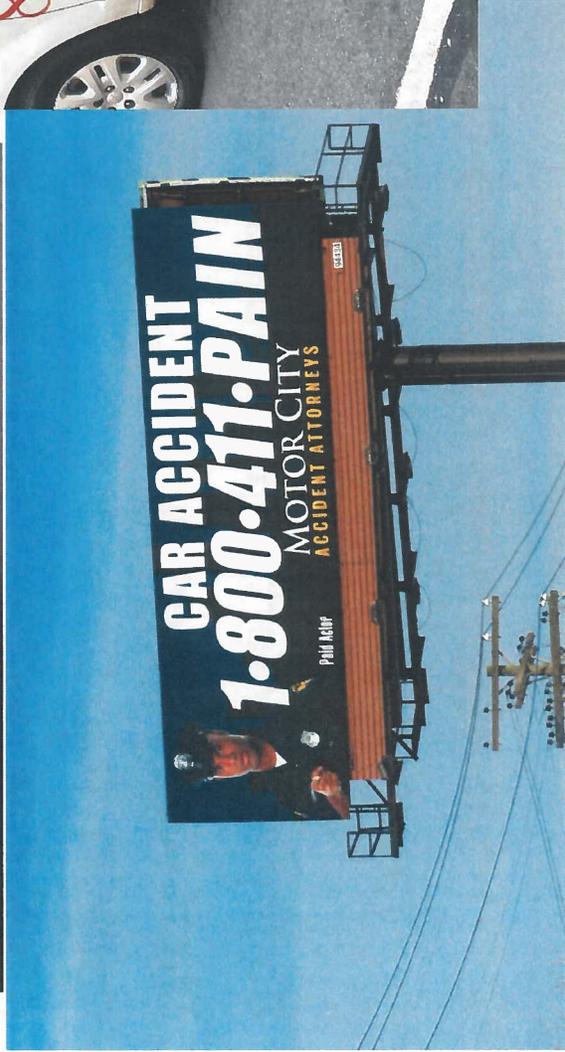
You can use your own health care coverage.

Trial attorneys opposed No-Fault in 1972 because their lawsuits were limited to 3rd party injury pain/suffering

Bodily Injury/Tort (Injury to passenger/others)	7%	Expected No-Fault Suits
Theft (Comprehensive)	19%	
Collision (Car Damage)	32%	
PIP/MCCA (Personal Injury Protection - Medical)	<u>42%</u>	Explosion of No-Fault Suits for medical payments
Total	100%	

- Some trial attorneys developed an entirely new practice – suing the driver’s own insurance companies for payment of medical bills.
- Medical providers and these trial attorneys now have a unified financial interest – the higher the medical bills, the more they all make.

This started out as a Detroit problem



Wayne County Circuit Court Civil Case Filings

	Total Auto Injury/ <u>No Fault Cases</u>	% Auto Cases <u>Cases Filed</u>
2010	5,635	39%
2013	8,503	54%
2016	9,762	57%

Source: 2016 Annual Report of Michigan State Courts

Now it's become a Macomb County problem

Macomb County Circuit Court Civil Case Filings

	Total Auto Injury/ No Fault Cases	% Auto Cases Filed
2010	1,090	26%
2013	1,475	37%
2016	1,968	53%

And Oakland County...

	Total Auto Injury/ No Fault Cases	% Auto Cases Cases Filed
2010	1,123	13%
2013	1,575	24%
2016	1,796	33%

And Kent County...

	Total Auto Injury/ No Fault Cases	% Auto Cases Cases Filed
2010	223	13%
2013	318	23%
2016	331	30%

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About 325,000 drivers pay the \$45 uninsured motorists fee, some thinking the

number of accidents involving uninsured drivers who elected to pay the damage before a claim could be filed with the state.

Insured motorists, too, can suffer great financial hardships after being involved in serious accidents. At present, the delay often last years while lawyers for the parties involved in an accident battle in and out of court. Sometimes no determination of fault can be made, and the victim are left to suffer on their own.

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The fault-finding process is an expensive one, and despite Michigan Trial Lawyers president Harry Philo's statement that lawyers will do better for the first 10-12 years with the no-fault law, the lawyers have been doing quite well under the tort liability system.

Self-interest has never strayed far from the lawyers' hearts, and we doubt that they would do nearly as well under no-fault with lawsuits limited to the most severe accidents.

In 1972, 17% of the state's lawsuits were auto accidents - the main argument for passing a No-Fault law was the litigation expenses.

In 2016, 42% of the state's lawsuits were auto accident cases - and that % is climbing dramatically.

The Results?

Michigan's Auto Insurance Rates are the Highest in the U.S.

2017 Average Cost to Insure Automobile

1) Michigan	\$2394
2) Louisiana	\$1921
3) Connecticut	\$1897
Nat'l Average	\$1318
36) Illinois	\$1159
37) Wisconsin	\$1154
45) Indiana	\$1021
50) Ohio	\$ 900

Source: Insure.com 7/28/17

The worst part?

These exploding costs are being borne unfairly by those who can afford it least – Michigan’s senior citizens.

Michigan citizens on Medicare are being double-taxed \$800-1,000 for unnecessary medical coverage.

By federal law, Medicare coverage is secondary – only kicks in if there are no other available payers.

Because Michigan No-Fault law requires driver to purchase unlimited medical coverage, Medicare will not pay for car accidents.

Michigan is the only state in America seniors are double-taxed for health care – in all other states Medicare pays for seniors’ emergency room and long-term care.

Bill eliminates senior double taxation –

Allows any Michigan resident 62 or older with

**Medicare or retiree health care the right to save the
\$800-1,000 in unnecessary auto insurance payments.**

Driver's Choice: Bill Requires Insurance Companies to Offer 3 Options to Each Driver:

Michigan	UNLIMITED
Michigan	\$500,000
Michigan	\$250,000
New Jersey	\$250,000
New York	\$ 50,000
Minnesota	\$ 40,000
North Dakota	\$ 30,000
Florida	\$ 10,000
Hawaii	\$ 10,000
Kentucky	\$ 10,000
Massachusetts	\$ 8,000
Pennsylvania	\$ 5,000
Kansas	\$ 4,500
Utah	\$ 3,000

**For first time, the law would require a
guaranteed rate rollback:**

Will average 20% rollback for drivers with comprehensive coverage.

50% rollback for drivers with basic coverage

(on average, will reduce basic from \$2,000 per year to \$1,000)

**If the legislature does not act, the explosion in medical/legal
No-Fault costs will continue all across Michigan**

Michigan Statewide Lawsuits

	Total Auto Injury/ <u>No Fault Cases</u>	% Auto Cases of all <u>Cases Filed</u>
2010	10,665	23%
2013	14,949	35%
2016	16,899	42%

It's only a matter of time until these solicitations are in every community in Michigan – the No-Fault incentives are too lucrative.



